

**Wagoner County Rural Water District No. 5
Coweta, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Wagoner County Rural Water District No. 5
Coweta, Oklahoma
Board of Directors
December 31, 2022

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Wagoner County Rural Water District No. 5
Coweta, Oklahoma
December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wagoner County Rural Water District No. 5
Coweta, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Wagoner County Rural Water District No. 5, Coweta, Oklahoma (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on pages 26 and 27 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 27, 2023

RURAL WATER DISTRICT NO.5, WAGONER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Our discussion and analysis of the Rural Water District No. 5, Wagoner County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$1,252,333, which was an increase over the prior year amount of \$25,041.
- The District's total net position increased by \$1,288,960 in the current fiscal year.
- The District began the process on a new water treatment plant expansion project.
- The District continued paying off their six outstanding notes.
- The District approved a 3% water rate increase in 2022 to help absorb continued increases in costs.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes

in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District’s Net Position was higher in 2022 increasing from \$13,431,509 to \$14,720,469. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Current and other assets	\$ 6,826,915	5,920,178	906,737
Capital assets, net	<u>18,329,654</u>	<u>18,431,587</u>	<u>(101,933)</u>
Total Assets	<u>\$ 25,156,569</u>	<u>24,351,765</u>	<u>804,804</u>
Current liabilities	\$ 781,246	684,494	(96,752)
Long-term liabilities	<u>9,654,854</u>	<u>10,235,762</u>	<u>580,908</u>
Total Liabilities	<u>\$ 10,436,100</u>	<u>10,920,256</u>	<u>484,156</u>
Invest. In capital assets, net of related debt	\$ 8,095,231	7,627,543	467,688
Restricted	320,773	327,540	(6,767)
Unrestricted	<u>6,304,465</u>	<u>5,476,426</u>	<u>828,039</u>
Total Net Position	<u>\$ 14,720,469</u>	<u>13,431,509</u>	<u>1,288,960</u>

Net Position of the District increased by 9.6 percent (\$14,720,429 compared to \$13,431,509). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$5,476,426 to \$6,304,465.

Table 2 – Changes in Net Position:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 4,393,529	3,875,850	517,679
Memberships and donations	255,492	266,906	(11,414)
Interest	30,582	11,400	19,182
Total Revenues	<u>\$ 4,679,603</u>	<u>4,154,156</u>	<u>525,447</u>
Expenses:			
Salaries, taxes and benefits	\$ 1,063,491	835,652	(227,839)
Maintenance and repairs	983,115	698,682	(284,433)
Other expenses	336,028	307,365	(28,663)
Depreciation	758,562	772,859	14,297
Interest on debt	249,447	263,980	14,533
Total Expenses	<u>\$ 3,390,643</u>	<u>2,878,538</u>	<u>(512,105)</u>
Changes in Net Position	1,288,960	1,275,618	13,342
Net Position, Beginning	<u>13,431,509</u>	<u>12,155,891</u>	<u>1,275,618</u>
Net Position, Ending	<u>\$ 14,720,469</u>	<u>13,431,509</u>	<u>1,288,960</u>

The District's total revenues decreased by 12.6 percent (\$525,447). The total cost of all services increased by 17.8 percent (\$512,105).

Capital Assets

At December 31, 2022 the District had \$18,329,654 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. Additional amounts were included in 2022 for water plant expansions, some water line improvements and a truck.

Long-Term Debt

The District has six outstanding notes at December 31, 2022. Please see the notes section of the audit report for the individual information and outstanding balances for these notes. In total, the outstanding principal balance at year-end went from \$10,802,706 to \$10,234,423.

Economic Factors and Next Year's Budget and Rates

After an extensive water rate analysis by the Oklahoma Rural Water Association in 2019, the District approved to increase the water rates according to what was proposed by the study, effective on the December 31, 2019 billing, and a 3% rate increase to be implemented every 12 months thereafter, with the 3% subject to change with board approval after future rate studies.

For the upcoming fiscal year ending December 31, 2023 the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 835, Coweta, OK 74429 or call (918)486-5458.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Wagoner County Rural Water District No. 5
Coweta, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Wagoner County Rural Water District No. 5 (the District), Coweta, Oklahoma, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 27, 2023

WAGONER COUNTY RURAL DISTRICT NO. 5
Disposition of Prior Year's Significant Deficiencies
December 31, 2022

There were no prior year significant deficiencies.

WAGONER COUNTY RURAL DISTRICT NO. 5
Schedule of Audit Results, Findings and Questioned Costs
December 31, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Statement of Net Position

December 31, 2022

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,644,444	\$ 1,788,193
Investments	3,029,290	3,026,896
Accounts receivable	309,226	306,664
Inventory on hand	339,247	280,382
Prepaid assets	31,957	32,063
Total current assets	<u>6,354,164</u>	<u>5,434,198</u>
Restricted Assets:		
Reserve accounts	208,601	215,953
Project trust funds	112,172	111,587
Total restricted assets	<u>320,773</u>	<u>327,540</u>
Capital Assets:		
Land	155,699	155,699
Water distribution system	17,442,819	17,395,569
Water plant	9,777,656	9,210,760
Vehicles and equipment	866,258	830,238
Buildings and furnishings	572,468	572,468
Total capital assets	28,814,900	28,164,734
Less: accumulated depreciation	(10,485,246)	(9,733,147)
Total capital assets (net)	<u>18,329,654</u>	<u>18,431,587</u>
Other Assets:		
Loan costs, net	151,978	158,440
TOTAL ASSETS	<u>\$ 25,156,569</u>	<u>\$ 24,351,765</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 176,248	\$ 88,256
Accrued interest	25,429	27,956
Current portion of long-term debt	579,569	568,282
Total current liabilities	<u>781,246</u>	<u>684,494</u>
Noncurrent Liabilities:		
Long-term debt, less current maturities	9,654,854	10,235,762
Total Liabilities	<u>10,436,100</u>	<u>10,920,256</u>
<u>NET POSITION:</u>		
Net investment in capital assets	8,095,231	7,627,543
Restricted	320,773	327,540
Unrestricted	6,304,465	5,476,426
Total Net Position	<u>14,720,469</u>	<u>13,431,509</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,156,569</u>	<u>\$ 24,351,765</u>

The accompanying notes to the financial statements are an integral part of this statement

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2022

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
Operating Revenues:		
Water sales	\$ 4,233,380	\$ 3,729,711
Charges and late penalties	90,396	83,293
Service income	56,864	22,500
Other income	<u>12,889</u>	<u>6,346</u>
Total revenue from operations	<u>4,393,529</u>	<u>3,841,850</u>
Operating Expenses:		
Salaries and benefits	724,520	589,294
Payroll taxes	61,550	50,315
Repairs and maintenance	102,069	48,739
Chemicals	502,718	365,394
Power plant costs	120,623	117,155
Testing fees	21,469	20,607
Employee insurance	277,421	196,043
Vehicle expense	43,278	32,273
Insurance	51,812	50,022
Supplies and materials	236,236	146,787
Office and postage	76,711	62,163
Depreciation	752,100	766,397
Amortization	6,462	6,462
Professional fees	78,386	98,133
Utilities and phone	30,640	28,353
Dues and fees	30,461	22,745
Miscellaneous	<u>24,740</u>	<u>13,676</u>
Total expenses from operations	<u>3,141,196</u>	<u>2,614,558</u>
Operating Income (Loss)	1,252,333	1,227,292
Non-Operating Revenues (Expenses):		
Interest income	30,582	11,400
Sale of assets	0	34,000
Capital contributions-		
Memberships/water loss reserves	255,492	266,906
Interest paid on long-term debt	<u>(249,447)</u>	<u>(263,980)</u>
Total Non-Operating Revenues (Expenses)	<u>36,627</u>	<u>48,326</u>
Change in Net Position	1,288,960	1,275,618
Total Net Position, beginning of period	<u>13,431,509</u>	<u>12,155,891</u>
Total Net Position, end of period	<u>\$ 14,720,469</u>	<u>\$ 13,431,509</u>

The accompanying notes to the financial statements are an integral part of this statement

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Statement of Cash Flows

For the Year Ended December 31, 2022

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 4,394,194	\$ 3,842,446
Payments to employees	(724,520)	(589,294)
Payments to vendors	<u>(1,634,635)</u>	<u>(1,399,990)</u>
Net Cash Provided by Operating Activities	<u>2,035,039</u>	<u>1,853,162</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(650,166)	(359,283)
Capital contributions - Memberships	242,500	247,000
Capital contributions - Water loss reserves	12,992	19,908
Principal paid on long-term debt	(569,621)	(556,996)
Interest paid on long-term debt	<u>(249,538)</u>	<u>(263,980)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(1,213,833)</u>	<u>(913,351)</u>
Cash Flows from Investing Activities:		
Liquidation (addition) to investments and reserve accounts	4,463	(791,421)
Interest earned on investments	<u>30,582</u>	<u>11,400</u>
Net Cash Provided by (used in) Investing Activities	<u>35,045</u>	<u>(780,021)</u>
Net Increase (Decrease) in Cash	856,251	159,790
Cash and cash equivalents, beginning of period	<u>1,788,193</u>	<u>1,628,403</u>
Cash and cash equivalents, end of period	<u>\$ 2,644,444</u>	<u>\$ 1,788,193</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 1,252,333	\$ 1,227,292
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	752,100	766,397
Amortization Expense	6,462	6,462
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,562)	(22,691)
(Increase) decrease in prepaid insurance	106	(138)
(Increase) decrease in inventory	(58,865)	(25,275)
Increase (decrease) in accounts payable	87,992	(99,203)
Increase (decrease) in accruals	<u>(2,527)</u>	<u>318</u>
Net cash provided by operating activities	<u>\$ 2,035,039</u>	<u>\$ 1,853,162</u>

The accompanying notes to the financial statements are an integral part of this statement

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note A – Significant Accounting Policies

Organization

Wagoner County Rural Water District No. 5 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Wagoner County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 4,500 members.

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At December 31, 2022 the District held deposits of approximately \$5,673,734 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note A – Significant Accounting Policies – cont'd

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

The investments held at December 31, 2022 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 2,644,444	2,644,444
Certificates of deposit	1.0 Yr	N/A	3,029,290	3,029,290
Total Deposits			<u>\$ 5,673,734</u>	<u>5,673,734</u>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 53% in Certificates of Deposit (\$3,029,290) and 47% in Money Market/Checking account funds (\$2,644,444).

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note A – Significant Accounting Policies – cont'd

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

Accounts Receivable

Billings for accounts receivable at December 31, 2022 were \$320,508. An allowance for doubtful accounts was computed at \$11,282.

Memorandum Totals

The "Memorandum Only" captions above the columns mean that amounts are presented for comparative and information purposes only.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note A – Significant Accounting Policies – cont'd

Subsequent Events

Management has evaluated subsequent events through January 27, 2023, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital asset by the District.

Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Radio read meters	20 years
Computer equipment	5 years

The capital asset information for the District is shown below:

	12/31/2021			12/31/2022
	Amount	Additions	Deletions	Amount
Land	\$ 155,699	-	-	155,699
Water dist. system	17,395,569	47,250	-	17,442,819
Water plant	9,210,760	566,896	-	9,777,656
Buildings and furn.	572,468	-	-	572,468
Vehicles	756,204	36,020	-	792,224
Office equipment	74,034	-	-	74,034
Total Capital Assets	28,164,734	650,166	-	28,814,900
Less: Accumulated Depreciation	(9,733,147)	(752,099)	-	(10,485,246)
Total	\$ 18,431,587	(101,933)	-	18,329,654

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies – cont'd

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Note B – Notes Payable

Long-Term Debt consists of six notes:

1. The District has a 2007 promissory note in the amount of \$4,735,000 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note was 3.55%, but was reduced to 0% in 2014. The water plant and future water revenues are used as security for this note.
2. The District has a 2009 promissory note in the amount of \$1,405,454 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.66%. The water system and future water revenues are used as security for this note.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note B – Notes Payable – cont'd

3. The District has a 2015 promissory note in the amount of \$1,400,000 with BB&T for a period of ten years. Semi-annual principal and interest payments for graduating amounts are due each March and September. The fixed interest rate on this note is 2.83%. The water system and future water revenues are used as security for this note.
4. The District has a 2015 promissory note in the amount of \$825,000 with Co-Bank for a period of 30 years. Monthly principal and interest payments of \$4,561 are paid. The fixed interest rate on this note is 5.18%. The water system and future water revenues are used as security for this note.
5. The District has a 2016 promissory note in the estimated amount of \$4,270,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account will then make the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 2.82%. The water system and future water revenues are used as security for this note.
6. The District has a 2017 promissory note in the estimated amount of \$3,245,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District will make monthly deposits into a trust account at Bank of Oklahoma. The trust account will then make the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.19%. The water system and future water revenues are used as security for this note.

Restricted Accounts

The District has trustee accounts held with the Bank of Oklahoma for the OWRB notes and the 2015 Co-Bank and BB&T notes. These accounts are used to facilitate payments of these notes and hold funds in account to cover costs. The balances in these accounts at December 31, 2022 were \$32,835 (2008 note), \$81,348 (2015 note), and \$43,595 (2016 note). Also, a CD with BancFirst is held as a reserve for the 2015 Co-Bank note in the amount of \$29,001 and \$35,742 is held at Bank of Oklahoma for the BB&T note. The BancFirst Leak Protection Account, with a balance of \$98,252 is also defined as a restricted account. These restricted balances total \$320,773.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note B – Notes Payable – cont'd

	December 31,	
	2022	2021
Oklahoma Water Resources Board note payable, issued for \$4,735,000, at 0% interest, due in semi-annual installments, until paid;	\$ 1,208,147	1,473,932
Oklahoma Water Resources Board note payable, issued for \$1,405,454, at 3.66% interest, due in semi-annual installments, until paid;	573,881	650,631
BB&T note payable, 10 year note, issued for \$1,400,000, at 2.83% interest, due in semi-annual installments, until paid;	607,000	798,000
Co-Bank note payable, issued for \$825,000 at 5.18% interest, payable in monthly payments of \$4,561, until paid;	726,574	742,660
Oklahoma Water Resources Board note payable, issued for \$4,270,000, at 2.82% interest, due in semi-annual installments, until paid;	4,158,841	4,168,841
Oklahoma Water Resources Board note payable, issued for \$3,245,000, at 3.19% interest, due in semi-annual installments, until paid;	2,959,980	2,969,980
Long-Term Debt Outstanding	10,234,423	10,804,044
Less: Current maturities of long-term debt	(579,569)	(568,282)
Total Long-Term Debt, Net	\$ 9,654,854	10,235,762

The scheduled maturities for the next five (5) years, and in total thereafter:

Year	Total	ORWB (4)	BB&T	Co-Bank
2023	\$ 579,569	365,048	197,000	17,521
2024	589,017	368,567	202,000	18,450
2025	599,582	372,153	208,000	19,429
2026	525,412	504,952	-	20,460
2027	448,219	426,674	-	21,545
2028-32	1,643,099	1,516,967	-	126,132
2033-37	1,744,147	1,580,818	-	163,329
2038-42	2,046,391	1,834,893	-	211,498
2043+	2,058,987	1,930,777	-	128,210
Total	\$ 10,234,423	8,900,849	607,000	726,574

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2022

Note B – Notes Payable – cont'd

The District is required to maintain a schedule of rates or charges for the services of the system which together with other revenues shall (A) provide funds at least 125% of the maximum annual debt service requirements for OWRB loans and any other loans of parity. This schedule of rates and charges should also always generate (B) sufficient monies to pay operation and maintenance expenses of the system without consideration of any other revenue source. Operating results for the year ended December 31, 2022 are summarized below:

(A) Income from operations	\$ 1,252,333
Add: Membership fees	255,492
Interest income	30,582
Depreciation & amortization	758,562
Other	-
Income available for debt service	<u>\$ 2,296,969</u>
Debt Service	
Interest expense	\$ 288,364
Principal payments	<u>579,569</u>
Total debt service	<u>\$ 867,933</u>
Debt service coverage ratio	<u>265%</u>
(B) Total Revenue from the water system	\$ 4,393,529
Operation and maintenance expenses	<u>(2,382,634)</u>
Net Operating Income	<u>\$ 2,010,895</u>

As of December 31, 2022 the District had met the requirements of the rate covenant as described above.

Note C – Water Loss Reserve

The District has established a water loss protection plan for their users, where tap holders pay an additional \$1.00 a month on their water bill. This reserve can be used on a high water bill from a leak during that year, after submitting a leak repair bill. The reserve account will pay everything over their average monthly water bill. This reserve amount is considered a restricted asset.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note D – Litigation

There are no known threatened or unasserted claims against the District as of December 31, 2022.

Note E – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Budget to Actual
For The Year Ended December 31, 2022

	<u>2022 BUDGET</u>	<u>2022 ACTUAL</u>	<u>Variance Favorable (Unfavorable)</u>
INCOME:			
Water sales	\$ 4,000,000	\$ 4,323,776	\$ 323,776
Benefit unit sales	300,000	242,500	(57,500)
Interest income	12,000	30,582	18,582
Road crossings	15,000	14,000	(1,000)
Other income	16,600	68,745	52,145
Total revenue from operations	<u>4,343,600</u>	<u>4,679,603</u>	<u>336,003</u>
EXPENSES:			
Salaries and benefits	630,000	724,520	(94,520)
Payroll taxes	51,000	61,550	(10,550)
Repairs and maintenance	115,000	102,069	12,931
Chemicals	400,000	502,718	(102,718)
Power plant costs	120,000	120,623	(623)
Testing fees	25,000	21,469	3,531
Employee insurance	210,000	277,421	(67,421)
Vehicle expense	35,000	43,278	(8,278)
Insurance	60,000	51,812	8,188
Supplies and materials	325,000	236,236	88,764
Office expenses	77,500	76,711	789
Depreciation	825,000	752,100	72,900
Amortization	0	6,462	(6,462)
Professional fees	120,750	78,386	42,364
Utilities and phone	30,280	30,640	(360)
Dues and fees	11,000	30,461	(19,461)
Uniforms	12,000	10,008	1,992
Miscellaneous	13,450	14,732	(1,282)
Total expenses from operations	<u>3,060,980</u>	<u>3,141,196</u>	<u>(80,216)</u>
Sub-Total Income (Loss)	1,282,620	1,538,407	255,787
Less: Long-term note payments	<u>(875,750)</u>	<u>(867,993)</u>	<u>7,757</u>
Funds Remaining	<u>\$ 406,870</u>	<u>\$ 670,414</u>	<u>\$ 263,544</u>

WAGONER COUNTY RURAL DISTRICT NO. 5
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2022

Water Rates:

0 gallons	=	\$28.00 minimum
0 – 1,000 gallons	=	\$7.96 per 1,000 gallons
1,000 – 2,000 gallons	=	\$8.22 per 1,000 gallons
2,001 – 3,000 gallons	=	\$8.49 per 1,000 gallons
3,001 – 4,000 gallons	=	\$8.76 per 1,000 gallons
4,001 – 5,000 gallons	=	\$9.02 per 1,000 gallons
Over 5,000 gallons	=	\$9.28 per 1,000 gallons

Plus \$1.00 per month for leak protection plan (if enrolled)

Water Loss:

	<u>2022</u>	<u>2021</u>
Total gallons pumped and purchased	390,619,110	344,863,690
Total gallons sold to customers	<u>(331,815,547)</u>	<u>(292,062,640)</u>
Total water loss	<u>58,803,563</u>	<u>52,801,050</u>
Percentage of water loss	<u>15.05%</u>	<u>15.31%</u>

Source – Sold vs Pumpage/Purchased Report

Customers:

The District had 4,515 customers at the close of the fiscal year.

Current benefit unit fee is \$1,250.

Current road crossing fee is \$500.